A DRAFT ANNUAL BUDGET OF Z. F. MGCAWU DISTRICT MUNICIPALITY

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Z. F. MGCAWU DISTRICT MUNICIPALITY

2015/16 TO 2017/18 MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

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Draft Annual Budget

1.1 Budget Speech

TABLING OF DRAFT BUDGET 2015/2018 AT COUNCIL MEETING

EXECUTIVE MAYOR, CLLR G. VAN STADEN

30 MARCH 2015

ZF MGCAWU COUNCIL CHAMBERS

Introduction

Speaker, Members of the Mayoral Committee, Councillors, Municipal Manager, Senior Management, Distinguished guests, Ladies and Gentlemen

Honourable Madam Speaker it is my pleasure to present to Council the draft budget for the Medium Term Revenue and Expenditure Framework for the period 2015-2018. This budget is presented in the background of the District having received its 2nd consecutive clean audit from the Auditor General for the 2013/2014 financial year. We managed to achieve these prestigious accolade based on the hard work of both council and administration but we are also cognisance of the fact that this outcome places a huge responsibility on us as the District to assist the local municipalities to also migrate from disclaimers of opinion from the auditor general.

Honourable Madam Speaker, in celebrating how we have come and how much we have accomplished, we need to look to the future and continue to plan and be prepared for the challenges and opportunities at our disposal looking at the triple challenges of poverty, unemployment and inequality facing our country.

<u>Budget outline and legal requirements</u>

In terms of section 16 (1) of the Municipal Finance Management Act, the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Subsection 2 of the said act provides that for a municipality to comply with subsection (1), the mayor of the municipality must table the budget at a council meeting at least 90 days before the start of the budget year.

The Municipal Finance Management Act, places the responsibility of budgets squarely on the shoulders of Mayors of municipalities, this is not just in respect of the tabling of budgets to Council but also to ensure that they are actively involved in the drafting of said budgets and

ensuring regular meetings with the administration to discuss and give inputs in the drafting of budgets.

Madam Speaker I can report that an inclusive budget participatory process was followed in drafting this particular budget. We received the inputs from Departmental heads and middle managers and frequent budget steering committees were held, this enabled us to view and review the figures to fully satisfy the needs of the District.

We drafted this budget from the premise that there is a need for the District to support local municipalities but also to illustrate the challenges we face as a District in accomplishing that goal. This budget places on us the responsibility to make a decision between competing priorities and fiscal realities. The challenge is to do more with the available resources.

Madam Speaker, in drafting this budget it was imperative that we ensure that the budget is realistic, sustainable and relevant and that it complies with all the requirements of the MFMA.

Role of the District Municipality

Madam Speaker, we present this draft budget a year prior to the next Local Government Elections where constituents will receive the opportunity to vote for the type of leadership they want. We take cognisance of the fact that in the current 5 year term government has done a lot to improve the quality of life of our people.

As the District Municipality, we are entrusted with the responsibility of building the capacity of local municipalities and rendering support services to them. In light of this, both our Integrated Development Plan and SDBIP have been drafted in such a way that it speaks to the needs of the locals and determines to what extend we can give support as we truly strive towards being a centre of excellence. We acknowledge that a credible budget requires effective economic understanding and allocating resourcing in line with policy priorities and delivering services efficiently.

The vision and mission of the district municipality has changed during the past four years to emphasis our constitutional mandate as a District Municipality after the re-demarcation of the DMA (Riemvasmaak and Swartkopdam) and the Roads Agency Function that went back to Provincial Department.

We further attempt to achieve the following objectives:

- *To assess and provide targeted support improving institutional capacity and service delivery capabilities of category B-municipalities*

- *To promote environmental health and safety of communities in the ZF Mgcawu District through the proactive prevention, mitigation, identification and management of environmental health services, fire and disaster risks.*
- *To facilitate the development of sustainable regional land use, economic, spatial and environmental planning frameworks that will support and guide the development of a diversified, resilient and sustainable district economy.*
- *To market, develop and co-ordinate tourism in the ZF Mgcawu District.*
- *To assess and monitor the status of infrastructure needs and requirements of B Municipalities.*
- *To ensure efficient business operations and to fulfils the assurance statutory requirements of the ZF Mgcawu District Municipality.*

<u>District Challenges</u>

Madam Speaker, we have extensively maintained transparency when it comes to the budget process and that has informed our decision making in respect of this budget.

It is important that we understand the challenges that we face as a District and these challenges, have a direct impact on the financial status of our Municipality. These challenges include but are not limited to the following:

- *The District Municipality simply does not have sufficient funding to fund all areas that need to be funded – with this in mind; we have resorted to source alternative revenue sources*
- *The District Municipality is 100% grant dependent*
- *We have zero capital projects*

We are working towards building a responsive, caring and accountable local government and we are mindful of the difficult economic conditions facing our country, therefore our decisions need to be characterised by the realities of the budget without underestimating the delivery of services to our people.

Budget 2015/2016

The total revenue amounts to R 57.999 mil and the total expenditure amounts to R 57.983 mil which includes operating expenditure of R 56,805,062; Capital Expenditure of R 778,684 and Provision for liabilities of R 400,000.

The Employee Related Cost and Council Remuneration make up 73% of the Operating Expenditure, and were increased with 4.4% as proposed in Circular 75

We further take note that there has been an increase of tariffs with 4.4%

As a District we have been in discussion with the local Municipalities to ensure that we attend to the support services needs identified by them. The costs for rendering support to our locals are mainly funded from the Equitable Share funding allocated by NT. Madam Speaker, the budget is an instrument through which we manage public funds in a way that ensures that we improve the quality of life of our people and ours is to ensure that we assist local municipalities in achieving their goal of delivering basic services.

We are optimistic, honourable members that this budget addresses some of the challenges we face.

Conclusion

Madam Speaker, we reiterate the fact that drafting this budget has been difficult due to the economic conditions facing our country but we are committed to ensuring that we manage public funds in a prudent and responsible manner thereby ensuring that government is more efficient, accountable and transparent to the people it serves.

It is crucial that as a government we invest in our youth to ensure a skilled and capable workforce to support government priorities. Individual municipalities require different fiscal policy responses in order to achieve their developmental objectives. Despite an overall improvement in the provision of infrastructure, widespread poverty and inequality, structural unemployment and a slow pace of transformation thwart the realization of our developmental goals.

The Minister of Finance said in his budget speech that "we must spend government money as if we are spending our own money" this means more prudent and responsible spending.

The MEC for Finance and Economic Development of the Northern Cape shared with us in his budget speech that government will strengthen the shared services in the district municipalities in areas of financial management and in line with this a Cooperative Governance Agreement has been signed between COGHSTA and Provincial Treasury that aims to coordinate the support approach to municipalities.

We will Madam Speaker, work towards achieving our vision of providing quality support services to our local municipalities.

We are convinced that our management team, officials and workers are committed to serve and make a lasting contribution to improve the quality of life of every citizen.

Honourable Speaker let me conclude by expressing my appreciation and gratitude to the members of the Financial Viability, Mayoral Committees as well as my fellow councillors who share the oversight responsibility to ensure sound, clean financial administration are met. I want to thank the Municipal Manager, Senior, Middle management and especially the Budget and Reporting Office, in the Financial Services Directorate, for the paramount task which they performed, under challenging circumstances to compile the budget and to ensure that it is tabled on time.

I thank you.

1.2 Council Resolutions

NOTULE
SPESIALE RAADSVERGADERING
30 MAART 2015

3.2.2.2

Teenwoordig – [presensielys aangeheg as ***bylae "A"***]

Rdl. G van Staden [Uitvoerende Burgemeester]
Rdl. ZS Mjila
Rdl. B Sinxeve
Rdl. NP Wetbooi
Rdl. GH Mothibi
Rdl. AM van Wyk
Rdl. A de Bruin
Rdl. M Oliphant
Rdl. J Thomas
Rdl. DZ Ntlanganiso
Rdl. SP May
Rdl. E Mnyaka
Rdl. KW Dodds
Rdl. J Assegaai
Rdl. PM Mgcera
Rdl. A Isaacs
Rdl. B Bock
Rdl. PM Kotzé
Rdl. JPI Joseph

In diens

Munisipale Bestuurder
Mnr. DJ van Zyl
Mnr. P Beukes
Mnr. A Tieties
Mnr. B Feris
Me. J van Wyk
Me. G Cloete
Me. M Manyehe
Me. S Berend

1) Opening

Rdl. SP May open die vergadering met gebed.

2) Verskonings

- Hoofsweep van Partye

TFC	=	Rdl. M. Mabilo
DA	=	Rdl. C. Tities [sonder verskoning]

- Munisipale Bestuurder

Geen

3) Openingstoespraak: Speaker

- Die Speaker heet almal welkom by die Spesiale Raadsvergadering.
- Die Speaker meld dat Raadslede nog steeds probleme ondervind met die verspreiding van Agendas.
- Dat daar dringend weer rekenaar opleiding gegee word aan die Raadslede en nodige kommunikasie m.b.t. kennisgewing aan Raadslede opgeskerp word.

4) Voorleggings

4.1 Oudit Verslag: Oudit Komitee
(3.2.3.2.4.3)

- Vir die bespreking van hierdie item sluit Mnre. Ogu, Erasmus en Me. A. Viljoen by die vergadering aan.
- Kennis word geneem van die Oudit Verslag wat voorgelê is deur die Oudit Komitee en aangeheg word as ***bylae "B"***.
- Na verdere bespreking word:

BESLUIT

Dat die Oudit Verslag soos voorgelê goedgekeur en aanvaar word en met die nodige kommentaar m.b.t. die verslag aan die Raad voorgelê word.

4.2 Risk Management Verslag
[Die Verslag word voorgehou deur die Voorsitter van die Risk Management Komitee, Mnr. Adams]

BESLUIT

Dat die Verslag soos voorgelê deur die Voorsitter van die Risk Management Komitee, Mnr. Adams, goedgekeur en aanvaar word en aangeheg as ***bylae "C"***.

5) Goedkeuring van Notules/ Bevestiging van besluite

5.1 Raadsvergadering: Goedkeuring van Notule (3.2.2.3)

BESLUIT

- Dat die Notule van die Raadsvergadering gehou op 30/1/2015 goedgekeur en aanvaar word.
- Dat die Notule van die Raadsvergadering gehou op 27/2/2015 goedgekeur en aanvaar word.

5.2 Burgemeesterskomitee: Bevestiging van besluite (3.2.2.3.1)

BESLUIT

→ Dat die besluite en aanbevelings van die Burgemeesterskomitee gedateer 23 Februarie 2015 goedgekeur en aanvaar word.
→ Dat die Notule van die Burgemeesterskomitee gedateer 24 Maart 2015 goedgekeur en aanvaar word.

6) Jaarverslag: 2013/14 (9.1.3)

BESLUIT

6.1 Dat die Notule van die MPAC gedateer 23/3/2015 bevestig word.

6.2 Dat die Oversight Report 2013/14, in terme van Art. 129 van die MFMA goedgekeur word.

6.3 Dat die Annual Report (2013/14) goedgekeur word.

7) Goedkeuring van die Konsep Begroting: 2015/16 (5.1.1.1)

Die Uitvoerende Burgemeester hou die Konsepbegroting in terme van die MFMA-56/2003 aan die Raad voor.

BESLUIT

7.1 Dat die Konsep Begroting vir 2015/16 soos aangeheg as ***Bylae "D"*** goedgekeur en bekragtig word.

Dat die Begroting 2015/16 in terme van Art. 72(3)(a) en (b) van Wet 56/2003 soos volg goedgekeur word:

"On 30 March 2015 the Council of ZF Mgcawu District Municipality met in the Council Chamber to consider the Budget of the municipality for the financial year 2015/16. The Council approved and adopted the following resolutions:

The Council of ZF Mgcawu District Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

The Budget of the municipality for the financial year 2015/16 and the multi-year and single-year capital appropriations as set out in the following tables:

Budgeted Financial Performance (revenue and expenditure by standard classification)
Budgeted Financial Performance (revenue and expenditure by municipal vote)
Budgeted Financial Performance (revenue by source and expenditure by type);
and
Multi- year and Single –year appropriations by municipal vote and standard classifications and associated funding by source

The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

Budgeted Financial Position;
Budgeted Cash Flows as;
Cash backed reserves and accumulated surplus reconciliation;
Asset management; and
Basic service delivery measurement

To give proper effect to the municipality's annual budget, the Council of ZF Mgcawu District Municipality approves that cash backing is implemented through the utilization of the gazette revenue allocated to council to ensure that all capital reserves and provisions, unspent long- term loans and unspent conditional grants are cash backed as required by section 8 of the Municipal Budget and Reporting Regulations."

8) **Konsep GOP: 2015/16** (2.11.1.2)

BESLUIT

Dat die Konsep GOP vir 2015/16 deur die Raad aanvaar word.

9) **Hersiening van beleide** (3.B)

BESLUIT

9.1 Die Notule van 'n Spesiale Institusionele Komitee gedateer 23/3/2015 goedgekeur en aanvaar word.

9.2 Dat die volgende gewysigde beleide goedgekeur word:

- Whistle Blower Beleid
- Whistle Blower Plan
- Fraud Prevention Plan
- Fraud Register
- Kommunikasie Beleid
- Procedure Password
- Protection of Assets Code of Conduct
- User Access Management Policy
- Procedure – Patching
- SLA Management Policy
- Back up Policy
- Software Policy
- Change Control Policy
- Internet Acceptable Use Policy
- IT Risk Management Policy
- Network and Security Management Policy
- IT Strategic Plan Policy
- Patch Management Policy
- Patching Network
- Physical protection of IT facility policy
- Procedure – Fire Detection

10) **<u>Lewering van Omgewingsgesondheidsdiens deur //Khara Hais Munisipaliteit namens ZF Mgcawu Distrik Munisipaliteit</u>** (12.2.2.3)(15.3.1)(17.1.R)

<u>BESLUIT</u>

10.1 Dat vir die huidige //Khara Hais Munisipaliteit Omgewingsgesondheidsdienste binne die jurisdiksiegebied van //Khara Hais Munisipaliteit namens die Distrik Munisipaliteit lewer en dat tot die effek 'n Ooreenkoms met onmiddellike effek gesluit word tussen die Rade.

10.2 Dat ZF Mgcawu Distrik Munisipaliteit 'n versoek tot die LUR: Gesondheid rig om //Khara Hais Munisipaliteit toe te laat om Omgewingsgesondheid as 'n munisipale funksie te lewer.

10.3 Dat voortgesette samesprekings met //Khara Hais Munisipaliteit plaasvind om op 'n latere stadium as Distrik Munisipaliteit die funksie oor te neem en dat in die verband elke 6 maande 'n verslag aan die Raad voorgelê word.

11) **<u>Stigting van 'n Gesamentlike Distrik Munisipale Tribunaal</u>** (15.3.R)

<u>BESLUIT</u>

11.1 Dat die Raad die stigting van 'n Gesamentlike Distrik Tribunaal goedkeur.

11.2 Dat die aanstelling van 'n Stadsbeplanner in die 2015/16 finansiële jaar geskied.

11.3 Dat die Raad twee individue aanstel om op die Tribunaal te dien:

(a) Beamptes in voltydse diens van die Munisipaliteit; en
(b) Persone aangestel deur die Munisipale Raad wat nie Munisipale Beamptes is nie en wat kennis en ervaring het van "spatial planning" grond gebruik bestuur en ontwikkeling of die verwante wetgewing.

11.4 Dat kennis geneem word van die volgende mededelings van die Munisipale Bestuurder:

11.4.1 !Kheis Munisipaliteit en //Khara Hais Munisipaliteit besluit om nie Tribunaal daar te stel.
11.4.2 Gemelde Tribunale gaan met baie hoër koste gepaard.

12) **Bevestiging van Aanstellingsdatum:**
Adjunk-Direkteur: Support, PMS,
IDP en PMU: J. van Wyk (4.3.2.1)

BESLUIT

12.1 Dat kennis geneem word van die Munisipale Bestuurder se aanvaarding van die Aanstellings Paneel se aanbeveling op 19/3/2015, naamlik

- Dat Me Van Wyk die hoogste punte behaal het tydens `n onderhoudsessie met 3 kandidate (SAMWU was as waarnemers teenwoordig)
- Dat Me. J van Wyk voldoen het aan al die vereistes van die geadverteerde pos

12.2 Dat die aanvangsdatum van die aanstelling d.w.s. met ingang van 1/1/2015, bekragtig word.

13) **Bonus allokasie aan Artikel 56 & 57 Amptenare: 2013/14 finansiële jaar**

BESLUIT

Dat die verslag soos aangeheg as ***bylae "E"*** goedgekeur word.

14) **Mededelings**

14.1 Polities

DA = Dat kennis geneem word van Rdl. P Mgcera wie se huis afgebrand was tydens die tussenverkiesing. Alle sterkte word aan Rdl. Mgcera toegewens.
Dat daar ingesprek getree sal word met !Kheis Munisipaliteit wat onafhanklik die munisipaliteit bestuur.

COPE = Senior Bestuur en Amptenare word bedank vir hulle goeie samewerking asook die Speaker en Burgemeester vir hulle harde werk en die goeie verslag wat die Oudit Komitee voorgelê het.
'n Geseënde Paasnaweek word aan alle Raadslede en Amptenare toegewens.

ANC = Dankie aan Administrasie vir hulle goeie werk en dat die Hersiene Begroting goedgekeur kan word.
Dankie aan die Speaker en Burgemeester vir goeie en harde werk en dat die Raad op Nasionale Vlak ook erkenning gekry het vir die goeie werk wat in die Distrik plaasvind.

Sterkte word aan Rdl. P Mgcera toegewens wie se huis afgebrand was tydens die tussenverkiesing.
‘n Geseënde Paasnaweek word aan alle Raadslede en Amptenare toegewens.

14.2 Administrasie

- Die Munisipale Bestuurder bedank die Raad vir die uitbetaling van bonusse aan Artikel 56 & 57 Amptenare.
- Dat die verhoging van Raadslede “upper limits” uitbetaal sal word.
- Dat die uitbetaling so gou moontlik sal geskied.

15) Bedankings: Speaker

- Die Speaker maan dat Raadslede betyds die vergaderings moet bywoon.
- Die Speaker versoek weereens dat indien Raadslede nie die vergadering kan bywoon nie dat daar ‘n skriftelike aansoek om verlof ingedien moet word.
- Dat Raadslede die besluite moet uitvoer by die B-Munisipaliteite.
- Dat rekenaaropleiding so gou doenlik aan die Raadslede gegee word (“drop box”)
- ‘n Geseënde Paastyd word aan alle Raadslede en Amptenare toegewens.
- Die Speaker bedank die Raadslede en Amptenare vir hulle goeie werk en samewerking.

16) Afsluiting

1.3 Executive Summary

Adherence to sound financial management principles for drafting the budget of the ZF Mgcawu District Municipality is essential and crucial to ensure that the District Municipality's affairs are run on a going concern basis and that municipal support are provided sustainably, economically and equitably to all municipalities in the district.

Z. F. Mgcawu's budget process was integrated with the integrated development planning process according the process plan adopted by Council. Appropriate funds were allocated to correctly prioritised programmes in order to sustain sound financial stewardship. A major scale down of noncore and 'nice to have' expenditures items have been undertook. Key areas where savings were realized were on telephone and internet usage, printing, workshops, expensive accommodation, travel costs, catering and no provision was made for non-essential vacant positions.

The District Municipality has embarked on implementing a range of savings measures to ensure that the municipality stays within its approved budget and to deliver on its legal mandate. Furthermore, the district municipality has undertaken various need assessment sessions in order to determine the needs for municipal support that must be rendered by the District Municipality to its local municipalities in the district.

National Treasury's MFMA Circulars No. 58, 59, 66, 67, 70, 72, 74 and 75 were mainly used to guide the compilation of the 2015/18 MTREF. Some of the key challenges faced by the municipality when compiling the budget were:

- The on-going difficulties in the national and local economy;
- The increased cost of electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents and businesses. Similarly the effect of the water tariffs, on consumers.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- The fast distances in the Z. F. Mgcawu district area makes rendering support very expensive due to the continuous increasing fuel prices.
- The District Municipality is very much dependent on grant funding.

No budget amounts were allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Bill 2015.

Consolidated Overview of the 2015/18 MTREF

Table 1 below refers to the total Operating Revenue by source, which amounts to R 57,999,000. No Capital Transfers are expected for the 2015/2016 financial year.

Table1: Financial Performance –Operating Revenue By Source

2015/16 Medium Term Revenue & Expenditure Framework				
Description	**Full Year Forecast 2014/15**	**Budget Year 2015/16 R'000**	**Budget Year +1 2016/17 R'000**	**Budget Year +2 2017/18 R'000**
Financial Performance				
Property rates	–	–	–	–
Service charges	–	–	–	–
Investment revenue	550	350	400	450
Transfers recognised – operational	52,829	56,514	56,823	57,623
Other own revenue	4,974	1,135	1,065	1,150
Total Revenue (excluding capital transfers and contributions)	**58,353**	**57,999**	**58,288**	**59,223**

The District Municipality doesn't render any consumer services, therefore no billing services or receive rates or service charges.

The Operational Transfers are 97% of the total Revenue which includes the following grants *(Refer to SA18 on the A1-schedules)*

National Transfers:

Financial Management Grant; Municipal Systems Improvement Grant; Expanded Public Work Programme; Equitable Share Grant

Provincial Transfers:

Near Project and Fire Equipment Grant; Rural Road Asset Maintenance System Grant

The Comparative figures for the total revenue indicates an slightly decrease of 0.6% from 2014/2015 budget year. The variance is mainly because of the decrease in Other Revenue and the increase in Operational Transfers expected during 2015/2016.

Other Revenue includes - VAT claimable from SARS, Gains on disposal of PPE, Rental of facilities & equipment; Shared Services, Support Funds and other minor income.

Table2: Financial Performance – Operating Expenditure By Source

2015/16 Medium Term Revenue & Expenditure Framework				
Description	**Full Year Forecast 2014/15**	**Budget Year 2015/16**	**Budget Year +1 2016/17**	**Budget Year +2 2017/18**
Financial Performance				
Employee costs	36,873	37,758	39,604	40,556
Remuneration of Councillors	3,053	3,686	3,870	4,064
Depreciation & asset impairment	722	653	685	719
Finance charges	124	134	141	148
Materials and bulk purchases	1,704	1,932	1,764	1,852
Transfers and grants	–	–	–	–
Other expenditure	13,859	12,642	11,642	11,485
Total Expenditure	**56,334**	**56,805**	**57,707**	**58,824**

The total Operating Expenditure as indicated in Table2 above, amounts to R 56,805,000 for the 2015/2016 financial year.

Employee Related Cost represents 66% of the total OPEX, and has been increased by 4.4% as guided by NT Circular No.75. The overall increase of 3.8% as indicated on SA22 is mainly because it is not budgeted for vacant positions that are not essential; as well as the post of officials who are seconded to Local Municipalities within the district.

The cost associated with the remuneration of Councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget

The decrease in Depreciation & asset impairment compared to the previous year is due to the reduction in PPE after disposals of assets during 2014/2015.

Finance charges consist primarily of the repayment of interest on long-term borrowing financed by DBSA. Finance charges make up 0.23% of operating expenditure excluding annual redemption for 2015/16.

ZF Mgcawu District Municipality doesn't supply services therefore it does not acquire bulk services. The increase in Other Materials occurs because the district municipality has limited funds available to purchase new capital goods therefore repair and maintenance of assets are urge.

The decrease in Other Expenditure is due to cost containment and cut down on unnecessary expenses as requested by the Minister of Finance. The detail of the expenditure items are listed in SA1.
Included on general expenses are the programmes in the Office of the Executive for Sport Development, ID Campaigns, Voter Education and Community Outreach programmes. For each unit/department within the District Municipality provision has been made for rendering support to the category B municipalities.

National Treasury is introducing a new Municipal Standard Chart of Accounts which will require upgrades on the current financial system should their pass the mSCOA readiness assessment by National Treasury, which will be made public before the end of the current calendar year. SAMRAS, our current financial vendor, are in process to become mSCOA compliant, to adhere to the 3 phases namely, Budget-Transact-Reporting and 7 segments that are required for the Chart of Accounts for municipality's. ZF Mgcawu district municipality are in consultation with SAMRAS to implement by 1 July 2016, after the regulations come available, to ensure that we will be mSCOA ready by 1 July 2017 and be able to maintain the Unqualified Audit Opinion that was received the past consecutive years by the Auditor-General. Provision for the implementation of mSCOA will be made from the Financial Management Grant and the Municipal Systems Improvement Grant to fund this operation.

Table3 below indicates the Capital Expenditure and funding. The total CAPEX for 20152016 amounts to R779,000 which includes mainly the acquisition of Other Assets that are funded from internally generated funds. The district municipality does not have any Capital Projects that that funded from either Provincial or National Government.

Table3: Capital Expenditure & Fund Sources

Description	**Full Year Forecast 2014/15**	**Budget Year 2015/16**	**Budget Year +1 2016/17**	**Budget Year +2 2017/18**
Capital expenditure	1,204	779	358	372
Transfers Recognised - capital	–	–	–	–
Public contributions & donations	–	–	–	–
Borrowing	–	–	–	–
Internally generated funds	1,204	779	358	372
Total sources of capital funds	1,204	779	358	372

Part 2 – Supporting Documentation

Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on 29 August 2014. Key dates applicable to the process were: **IDP, BUDGET / PMS PROCESS PLAN 2015/2016**

Purpose of IDP and Budget Process Plan

The purpose of the process plan is to indicate the various planned activities, strategies and deadline timeframes to compose the IDP for the five year cycle (2015/2016-2019/2020), the budget for 2015/2016 and the two outer years and the SDBIP. The process plan aims to ensure integration and alignment between the IDP, Budget and SDBIP, thereby ensuring the development of an IDP based budget. It fulfills the role of a business plan or an operational framework for the IDP process outlining the manner in which the IDP process will be undertaken. In addition, it identifies the activities in the process around the key statutory annual operational processes in budget, SDBIP and IDP compilation, performance management implementation and the adoption of the municipality's annual report.

The IDP and Budget processes are two distinct but integrally linked processes which must be coordinated to ensure that the IDP and budget related policies and the final budget and SDBIP are consistent and credible. Credibility refers to the municipality's ability and capacity to spend and deliver services in accordance with its approved budget. The process creates its own dynamics since it involves external role-players and vested interest groups. This requires accurate logistical planning and arrangements of engagement sessions to ensure that the process is implemented in accordance with the approved time schedule.

Experience has taught us that deviation from the approved time schedule may occur due to unforeseen events and circumstances which are beyond the control of the municipal council and the administration. This may require adjustment to the timeframes to ensure that the execution of the process remains practical and that all legislative requirements are adhered to. The Mayor as coordinator of the budget process will regularly inform council, the National Treasury, provincial treasury and the Department of Cooperative Governance and Traditional Affairs (COGHSTA) on progress against the approved targets and timeframes and any adjustments that may be required.

Mechanisms for Participation and Engagement with Stakeholders

The following mechanisms for participation will be utilized;

Media

Local newspapers and the Municipal newsletter will be used to inform the community of the of the IDP/Budget processes.

Website

The website will also be utilized to communicate and inform the community. Copies of the IDP and Budget will be placed on the website for people and service providers to download.

Procedures for participation

The following procedures for participation will be utilized:

IDP Representative Forum

This forum represents all stakeholders and is inclusive as possible. Efforts will be made to bring additional organizations into the IDP Representative Forum and ensure their continued participation throughout the process.

Public Consultation Meetings

The municipality will be hosting public consultation with all stakeholders to publicize the draft and final budget. The venues for these meetings will be publicized through the media.

Roles and responsibilities

Council:

- Approve and adopt the process and framework plans as well as IDP and budget
- Monitor the implementation and approve any amendments of the plan when necessary.

Executive Mayor and Mayoral Committee:

- Consider the IDP and Budget timetable and Process Plan and submit to Council for approval annually by latest 31 August of each year
- Overall political guidance, management, coordination and monitoring of the IDP and budget process (MFMA section 53).
- Establish a budget steering committee as envisaged in the Municipal Budget and Reporting Regulations (MBRR) (Regulation 4).
- Assign and delegate responsibilities in this regard to the Municipal Manager.
- Submit the draft IDP, budget and SDBIP to Council for community consultation and approval by 31 March 2015
- Submit final IDP and Budget to Council for adoption by 31 May 2015.
- The Mayor to approve the final SDBIP by 30 June 2015 .
- Co-ordinate plans and timetables for the Budget.
- Exercise close oversight on the IDP, Budget and SDBIP preparation.
- Ensure and drives political engagement with the province and national departments on unfunded or under-funded mandates.
- Escalate community priorities and requests (relating to national and/ or provincial mandates) formally, in writing, to the relevant national/ provincial organs of state – follow-up and coordinate that feedback to the community is provided.

Municipal Manager:

- Managing and coordinate the entire IDP process as assigned by the Executive Mayor.
- Chair the IDP Steering Committee Meetings.
- Fulfills the duties of Accounting Officer as set out in Sections 68 and 69 of the MFMA, Act 56 of 2003.
- Ensure that the budget is prepared in the prescribed format and includes the minimum prescribed information and in the sequence prescribed (MFMA and Municipal Budget and Reporting Regulations (MBRR)).
- Certifies and signs-off that the budget does meet the minimum quality and content requirements (MFMA and MBRR).

IDP Manager:

- Prepare IDP process plan and monitor the timeously implementation thereof.
- Day to day management and coordination of the IDP and budget process.
- Ensure stakeholder engagement in IDP process by organizing and setting up meetings for engagement.

- Ensure that the IDP process is participatory and that planning is development-oriented. Respond to public and MEC comments on Draft IDP.
- Compilation of comprehensive, neat and presentable IDP document that complies with all legislator requirements.
- Amend the IDP document in accordance with the comments of the MEC.
- To coordinate within the administration and prepare a consolidated formal document of the community needs/ requests (relating to national/ provincial mandates) that arose during community engagements. This must be provided to the Mayor for escalation to national/ provincial organs of state.

Directors and Head of Departments:

- Provide relevant technical, sector and financial information for analysis for determining priority issues.
- Provide technical expertise in consideration and finalisation of strategies and identification of projects.
- Provide departmental, operational and capital budgetary information.
- Preparation of project proposals, integration of projects and sector programmes.

IDP/Budget Steering Committee:

- Refinement and Quality check of IDP document to ensure compliance with legislation.
- Consist of Municipal Manager, Senior Management/Directors, IDP Manager/Office, Speaker and Budget & Reporting Officials.

- To provide technical assistance to the mayor in discharging the responsibilities set out in Section 53 of the MFMA.
- Consist of portfolio Councillor for Financial matters, the Municipal Manager, the Chief Financial Officer, Senior Managers/Directors and Head of Departments to give technical advice if necessary.

- The district municipality held 2 budget steering committee meetings for both administration and the political Head for each Budget that has to be tabled, separate from the technical session per directorate.

IDP Representative Forum:

- Provide an organisational mechanism for discussion, negotiation and decision making between stakeholders.
- Represents the interest of their constituencies in the IDP process.
- Monitors the performance of the planning and implementation process.
- Comprises of the Mayor, Councillors, Municipal Manager, Directors, representatives of various sectors, NGO’s, Government Departments and specialised community members.

<u>Roles and responsibilities within the municipality</u>

Z F Mgcawu District Municipality:

- Prepare and adopt the IDP, budget and SDBIP.
- Undertake the overall planning, management and coordination of the IDP and budget process.
- Consider comments of the MEC’s for local government and finance, the National Treasury and/ or provincial treasury and other national and/ or provincial organs of state on the IDP, budget and SDBIP and adjust if necessary.
- Ensure linkage between the Budget, SDBIP and IDP.

- Ensure alignment of the IDP between the municipality and the district municipality (Integrated District and Local Planning).
- Preparation of joint strategy workshops between municipality, provincial and national government.

Category B municipalities and Stakeholders:

- Represents interest and contributes knowledge and ideas in the IDP process by participating stakeholder engagements
- Keep constituencies informed on IDP activities and outcomes.
- Service Level Agreements exist between the district municipality and the local municipalities regarding the support that has to be rendered during the financial year.

Provincial Government:

- Ensure horizontal alignment of the IDPs of the local municipalities and that of the District municipality.
- Ensuring vertical and sector alignment between provincial sector departments/ provincial strategic plans and the IDP process at local/district level.
- Efficient financial management of Provincial grants.
- Monitor the IDP and budget progress.
- Assist municipalities in compiling the IDP and budget.
- Coordinate and manage the MEC's assessment of the IDP.
- Provincial Treasury must provide views and comments on the draft budget and any budget-related policies and documentation for consideration by council when tabling the budget.
- Conduct Medium Term Revenue and Expenditure Framework (MTREF) budget and IDP assessment.

Sector Departments:

- Contribute sector expertise and knowledge.
- Provide sector plans and programmes for inclusion in the IDP and budget.

National Government:

- National Treasury issues MFMA Circulars and guidelines on the manner in which municipal councils should process their annual budgets, including guidelines on the formation of a committee of the council to consider the budget (Section 23(3) of the MFMA).
- National Treasury issues guidance and provide support to the provincial treasury to assess the budget, SDBIP and integrations/ links of the budget with the IDP.

Part 2 – Supporting Documentation